

INTELLECTUAL PROPERTY LAW  
INCLUDING  
PATENTS, TRADEMARKS,  
COPYRIGHTS AND  
UNFAIR COMPETITION

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May 19, 2000



RECEIVED  
SEP 13 2001  
Technology Center 2100

Hanan Potash, Ph.D.  
Gary B. McMillian, Ph.D.  
PhotonRoute Communications, Inc.  
10403 Charette Cove  
Austin, TX 78758

Re: Engagement of Legal Services and Billing Procedures

Dear Hanan and Gary:

I enjoyed our telephone conversation earlier today, in which we discussed Conley, Rose & Tayon ("the firm") and the business of PhotonRoute Communications, Inc. Pursuant to that discussion, a conflicts check was performed at the firm's Houston and Austin offices, resulting in no apparent overlap with our existing clients. As such, there appear no conflicts that would prevent us from proceeding to the conditions of our engagement. It is to our mutual benefit that our relationships have a sound business foundation and be fully communicated. This letter is intended to achieve that objective.

It is our understanding that this firm will represent PhotonRoute Communications, Inc. for matters pertaining in general to intellectual property. More specifically, this firm will perform services relating to patents, trademarks and copyrights. Initially, we will be called upon to prepare, file and prosecute patents before the U.S. Patent and Trademark Office. Those patents will generally deal with network communication, and more particularly to packet processing, or processor architectures used to expedite communication over various transmission media. To the extent we are authorized, we may also be asked to help in the prosecution of counterpart foreign patent applications, and to provide counseling with respect to invalidity and non-infringement issues.

It is our hope that this letter will make clear our billing practices to you, and to set out the terms of our agreement with respect to the representation by this firm of you in the above matters. Our professional fees (attorney's fees) are usually calculated on the basis of a number of factors. These include:

1. the time and labor required, the novelty and difficulty of the questions involved, and the skill required to perform the legal services properly;

Hanan Potash, Ph.D.  
Gary B. McMillian, Ph.D.  
May 19, 2000  
Page 2

2. the fees customarily charged for similar legal services;
3. the amount and consistency of work requested;
4. the nature and length of our professional relationship; and
5. the experience, reputation and ability of the person(s) performing the services.

Billing rates are subject to change from time to time as conditions warrant. Currently, my billing rate is \$300.00/hour. I will engage the services of other attorneys or agents within the firm who possess appropriate expertise for the task required. As I mentioned to you earlier today, I will oversee the preparation by others within the firm of any and all patent applications filed on your behalf. Other attorneys or agents who will assist me have current billing rates that vary between \$120.00/hour to \$220.00/hour, depending upon the attorney or agent chosen. All inquiries concerning the performance and billing of legal services should be directed to my attention.

It is my understanding that PhotonRoute Communications, Inc. will pay on an hourly basis for work performed. We also require that a retainer be paid in advance of work performed. The retainer amount is \$9,000.00, and is due prior to us receiving work. In addition to our hourly fees, we may incur out-of-pocket expenses on your behalf. The amount and extent of expenses to which PhotonRoute Communications, Inc. is responsible, will be set out in our invoices, and include patent office fees, copying charges, long-distance telephone charges, postage, draftsman fees, etc.

Our invoices are rendered monthly and detail all professional services performed and disbursements incurred during each monthly billing cycle. The invoices will be sent as soon as possible after the services are rendered to provide you with a ready means of monitoring and controlling the fees and expenses that are being incurred. The invoices normally answer most questions clients tend to have. However, if at any time you have any questions about your account, please do not hesitate to call me about it. Any amount owed and unpaid after sixty (60) days will be considered delinquent.

You agree that we may withdraw from representing PhotonRoute Communications, Inc. and terminate our representation of you if there occurs an unpaid balance which exceeds ninety (90) days past due. At that time, you agree to sign any consent forms required by the U.S. Patent and Trademark Office to enable our withdrawal.

You may terminate this employment at any time simply by giving us notice of your desire to do so. Upon notice of termination, we will stop all work for you immediately, and you

Hanan Potash, Ph.D.  
Gary B. McMillian, Ph.D.  
May 19, 2000  
Page 3

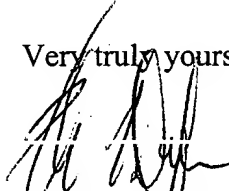
will be responsible for all fees and expenses prior to our stopping work. Upon termination of our employment, you agree to sign any consent forms required by the U.S. Patent and Trademark Office for withdrawal of our representation.

In the event of withdrawal, the firm will take reasonable steps to avoid foreseeable prejudice to you. This includes us providing you due notice, allowing time for employment of other counsel, and delivering to you all papers and property to which you are entitled.

If the above terms are acceptable to you, please sign and date this letter on behalf of PhotonRoute Communications Inc. in the spaces provided. Please keep a copy, and return to original to us.

Many thanks for your cooperation and for giving us the opportunity to be of service.

Very truly yours,

  
Kevin L. Daffer

I have read, understood, and agreed to the forgoing terms.

By: \_\_\_\_\_



Hanan Potash

Date: \_\_\_\_\_

6/15/2000

By: \_\_\_\_\_



Gary B. McMillian

Date: \_\_\_\_\_

6/15/2000

KLD:pg